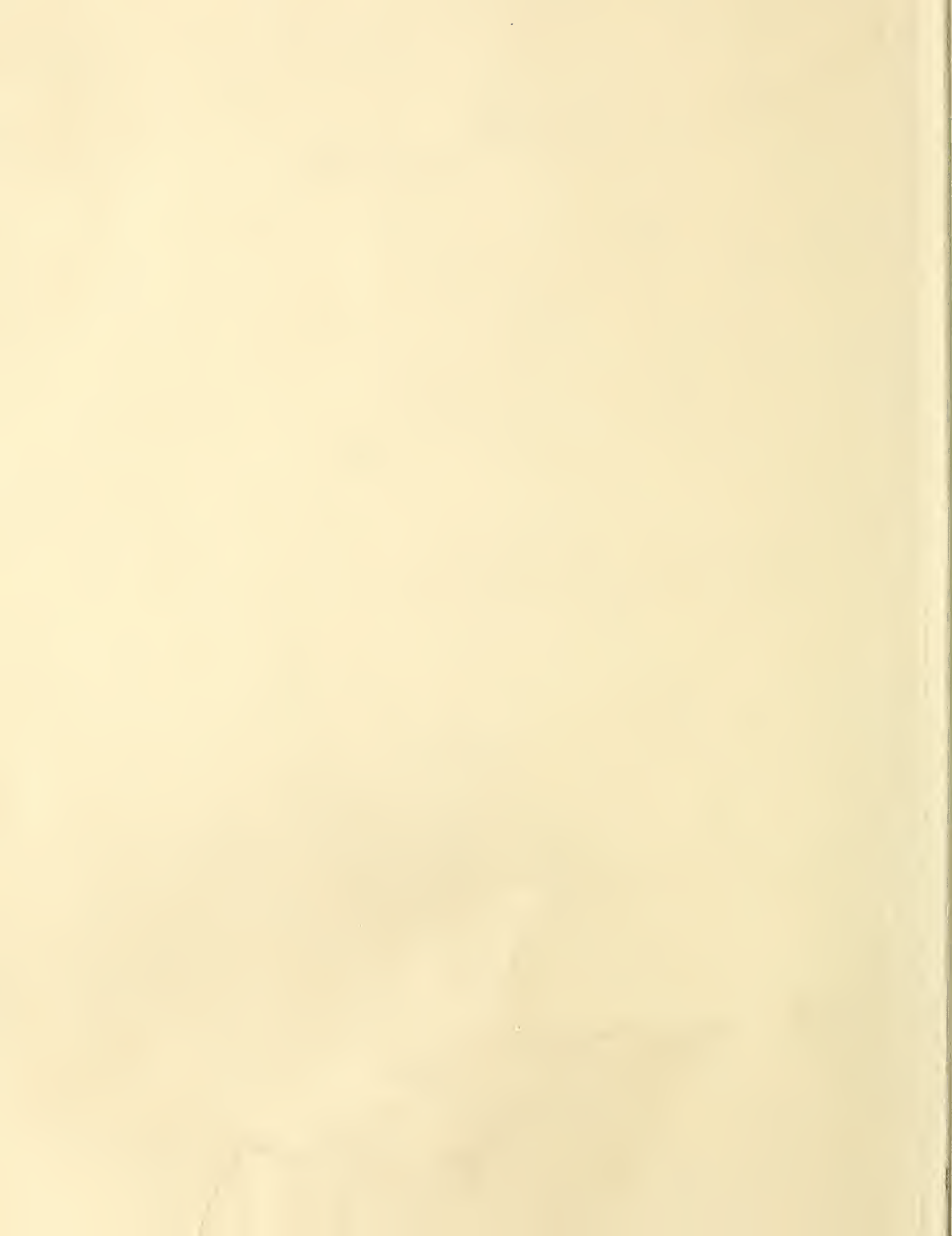


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U.S. Department of Agriculture

THE 1940 AGRICULTURAL OUTLOOK  
1. Demand and Prices

Radio conversation between Wallace Kadderly, U.S.D.A. Radio Service, and E. J. Rowell, Agricultural Marketing Service, in the U.S.D.A.'s portion of the National Farm and Home Hour, November 6, 1939, over NBC Blue Network.

--00-00--

KADDERLY:

Beginning today -- and continuing during the next 10 days we will present a series of discussions based on the 16th Annual Outlook report, as issued by the Department of Agriculture. The dictionary says "outlook" means "present state or future prospects of things." The Department of Agriculture does not have any magic powers -- what it does is just this: The economists and other qualified workers in the Department get together every fact and figure which might possibly help them figure out whether general business and farm business conditions in 1940 should be improved over 1939, whether more or fewer cattle, sheep, hogs, or poultry will be sent to market during the coming year; whether more corn, wheat, fruit, vegetables will be produced for market next year. For some commodities the report gives the long-time outlook. Well, the Department's workers compare the findings for this year with the facts and figures for last year and with other years; and then -- and only then -- are these outlook reports released. In all, they cover some 40 to 50 different commodities that farmers sell -- and many things that farmers buy. Naturally it will be impossible for us to give you each report in detail. We will give you the highlights on the more important commodities.

Before proceeding to the outlook on demand for farm products -- and the outlook for farm prices -- that was released this morning -- let me make this point: necessarily the outlook reports give the picture for the country as a whole. The application of the national or international outlook to the situation in a given State or community is best made by the people of that State or community. Within the next few weeks, therefore, your State extension economists and county agents will be holding outlook meetings -- probably right in your own county. Plan to attend. These meetings are ideal occasions for both questions and answers and for a look into the future so far as man can.

May I suggest that you get a copy of your State's outlook report in addition to the printed outlook report issued by the Department here in Washington. The sole purpose of the outlook reports is to help farmers and farm families plan for 1940. We hope this year's report will be more helpful than any in the past.

And now, getting down to the highlights of the report for today, the "Outlook for Demand and Prices in 1940." our reporter is E. J. "Mike" Rowell -- here he is...

ROWELL:

A somewhat stronger demand for farm products is expected in 1940 as a whole than in 1939. This statement is based largely on prospective increases in business activity and consumer incomes in this country. Also export demand for a few farm products probably will be increased.

KADDERLY:

I suppose that analysis of the situation takes the present war in Europe into

(over)

consideration?

ROWELL:

Yes, Wallace, this outlook is based on the assumption that the European war will continue for at least a year and that its effects on shipping and European buying will be about the same -- in general character -- as during the first year of the World War. Despite uncertainty, the net effect of the war is expected to be favorable to business in this country. And aside from the war, industrial conditions in general in this country are fairly favorable. Even though there had been no war, both business activity and the amount of money which consumers can spend for food probably would have increased some in 1940 as compared with 1939.

KADDERLY:

Then you are saying that the economists look for better business conditions for industry as well as for agriculture.

ROWELL:

Yes, prospects are good for automobiles and steel, and no very unfavorable situation is noted in any important industry.

KADDERLY:

Do the economists who prepared this Outlook Report expect that the improvement will be steady, month by month throughout 1940?

ROWELL:

To the contrary, some sharp fluctuations in industrial activity during the coming year are likely to occur, partly as a result of the European war -- and partly as a result of inventory accumulations in the last part of 1939.

KADDERLY:

Therefore, sometime next year a period of readjustment is going to be necessary.

ROWELL:

That's right. It probably will result in a considerable drop from the peak reached in the present up-swing. Such a drop might develop sufficient force to offset the favorable factors and prevent a resumption and continuation of the improvement which began this year. The economists say this is not likely to happen.

KADDERLY:

Better business conditions usually mean higher prices. Does this outlook report imply that farmers should expect that prices will be higher for the things they buy and for the things they sell?

ROWELL:

Farmers have reason to expect that prices of farm products will be some higher than the average for 1939. For farm products as a group, and for the country as a whole, prices will probably be higher in relation to prices farmers pay for things they buy, than during the past 2 years. The report goes on to say that the cash income from the sale of farm products should be higher in 1940 than for 1939, but probably will not reach the 1937 level. Government payments to farmers cooperating in the Triple-A program will be about as high as this year and considerably higher than in any year before 1939.



KADDERLY:

You've been speaking in general terms. Can you name some of the commodities for which this increase in cash income will be most noticed?

ROWELL:

Yes I can. Farmers cash income will probably show a greater increase for meat animals, dairy products, poultry, and fruits and vegetables than it will for cotton and wheat. The farm income from meat animals and from wool is likely to be a lot bigger next year; and may be the biggest for any year since 1930.

KADDERLY:

We're going to cover the outlook for these commodities -- and others -- in more detail during the next week or 10 days. But there are two items on which we ought to have more information right now.

ROWELL:

Just what do you mean?

KADDERLY:

I mean consumer income and export demand. When I say consumer income I have in mind the amount of money homemakers will be able to spend for food and other things. Will consumer income have its rather sharp ups and downs too in 1940?

ROWELL:

No, consumer income does not have the same sharp ups and downs. The changes in consumer income come along after changes in the speed with which industry turns out its products. Another thing -- incomes in 1940 will be affected not only by business conditions next year, but also by the improvement which occurred this year. And for these reasons, the gain in consumer incomes should be greater in 1940 in relation to the extent of business improvement, than it was in 1939.

KADDERLY:

You mean, that the income of the people -- the total salaries and wages -- have been going up along with increased activity on the part of business in general; and that in 1940 the increase in the total amount of salaries and wages will be at a faster rate than the income from industry. -- Now, about foreign demand, -- what the economists call export demand.

ROWELL:

There will be a considerable increase in the demand for some farm products needed by the nations at war. Other commodities will find a smaller demand for shipment abroad. Some governments have already established controls over imports and prices, they have done this earlier than in the previous war. The increased costs and risks of shipping things abroad will give this country some advantage over more distant competing export countries, but not as much advantage as in the World War.

KADDERLY:

Farm and Home friends tomorrow we'll present information on the wheat outlook for 1940; and the outlook for farm credit, farm wages, equipment and fertilizers -- things farmers buy to carry on their business.

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